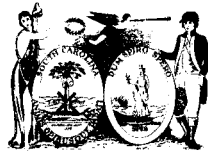


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

April 26, 2004

Ms. Earlene Jones, Administrator
MPI Management, Inc. d/b/a Stroud Nursing Home
Post Office Box 216
Marietta, South Carolina 29661

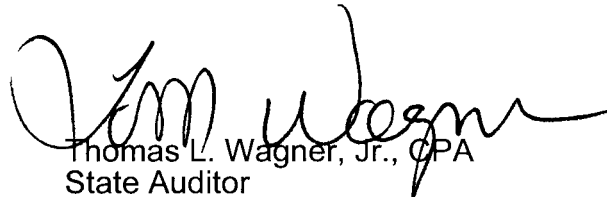
Re: AC# 3-STD-J0 – Stroud Nursing Home

Dear Ms. Jones:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1999 through September 30, 2000. That report was used to set the rate covering the contract period beginning October 1, 2001.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

**MPI MANAGEMENT, INC.
D/B/A STROUD NURSING HOME
MARIETTA, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2001
AC# 3-STD-J0**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2001	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2001 THROUGH DECEMBER 31, 2002	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2000	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	11

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 3, 2004

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with MPI Management, Inc. d/b/a Stroud Nursing Home, for the contract period beginning October 1, 2001, and for the twelve month cost report period ended September 30, 2000, as set forth in the accompanying schedules. The management of MPI Management, Inc. d/b/a Stroud Nursing Home is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

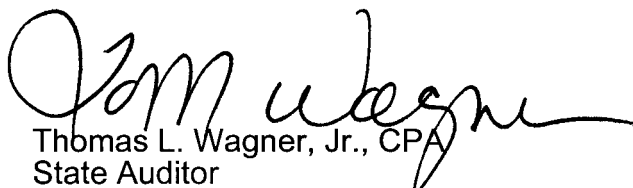
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by MPI Management, Inc. d/b/a Stroud Nursing Home, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and MPI Management, Inc. d/b/a Stroud Nursing Home dated as of October 1, 2001 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
February 3, 2004

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

MPI MANAGEMENT, INC. D/B/A STROUD NURSING HOME

Computation of Rate Change
For the Contract Period
Beginning October 1, 2001
AC# 3-STD-J0

10/01/01-
12/31/02

Interim Reimbursement Rate (1)	\$107.91
Adjusted Reimbursement Rate	<u>101.66</u>
Decrease in Reimbursement Rate	\$ <u>6.25</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 8, 2003

MPI MANAGEMENT, INC. D/B/A STROUD NURSING HOME
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2001 Through December 30, 2002
AC# 3-STD-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$55.41	\$63.97	
Dietary		12.25	12.22	
Laundry/Housekeeping/Maintenance		<u>10.01</u>	<u>10.11</u>	
Subtotal	<u>\$6.04</u>	77.67	86.30	\$ 77.67
Administration & Medical Records	<u>\$5.65</u>	<u>7.84</u>	<u>13.49</u>	<u>7.84</u>
Subtotal		85.51	<u>\$99.79</u>	85.51
<u>Costs Not Subject to Standards:</u>				
Utilities		2.71		2.71
Special Services		-		-
Medical Supplies & Oxygen		1.27		1.27
Taxes and Insurance		1.18		1.18
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$90.67</u>		90.67
Inflation Factor (3.80%)				3.45
Cost of Capital				6.01
Cost of Capital Limitation				(.68)
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.17
Cost Incentive				6.04
Effect of \$1.75 Cap on Cost/Profit Incentives				(7.46)
Nurse Aide Staffing Add-On 10/01/00				<u>.46</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$101.66</u>

MPI MANAGEMENT, INC. D/B/A STROUD NURSING HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2000
AC# 3-STD-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$887,581	\$ 758 (11) 73 (11)	\$ 933 (4) 1,339 (5) 250 (8) 16 (8)	\$885,874
Dietary	247,638	182 (11) 97,057 (12)	72,110 (2) 86 (4) 76,778 (13)	195,903
Laundry	45,266	50 (11) 2,964 (12)	589 (4) 2,848 (13)	44,843
Housekeeping	46,229	2,909 (12)	6 (4) 320 (5) 24 (11) 2,809 (13)	45,979
Maintenance	78,396	4,928 (12)	173 (4) 450 (5) 7,564 (10) 1,676 (11) 4,235 (13)	69,226
Administration & Medical Records	125,095	2,411 (3) 4,159 (7) 100 (11) 27,212 (12)	135 (4) 17,297 (6) 16,230 (13)	125,315
Utilities	43,319	2,035 (7) 2,695 (12)	2,119 (9) 2,616 (13)	43,314
Special Services	-	-	-	-
Medical Supplies & Oxygen	53,680	-	33,022 (4) 291 (7)	20,367

MPI MANAGEMENT, INC. D/B/A STROUD NURSING HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2000
AC# 3-STD-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Taxes and Insurance	18,919	8,961 (12)	8,976 (13)	18,904
Legal Fees	-	-	-	-
Cost of Capital	94,453	2,871 (6) 1,324 (12) <u>220 (14)</u>	1,304 (1) 1,544 (13)	96,020
Subtotal	1,640,576	160,909	255,740	1,545,745
Ancillary	4,538	-	1,303 (4)	3,235
Non-Allowable	277,708	82 (1) 1,222 (1) 72,110 (2) 36,247 (4) 14,426 (6) 266 (8) 2,119 (9) 7,564 (10) 1,891 (11) <u>116,036 (13)</u>	2,411 (3) 2,942 (7) 1,354 (11) 148,050 (12) 220 (14)	374,694
Total Operating Expenses	<u>\$1,922,822</u>	<u>\$412,872</u>	<u>\$412,020</u>	<u>\$1,923,674</u>
Total Patient Days	<u>15,989</u>	<u>-</u>	<u>-</u>	<u>15,989</u>
TOTAL BEDS	<u>44</u>			

MPI MANAGEMENT, INC. D/B/A STROUD NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-STD-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Other Equity	\$14,581	
	Nonallowable - Shelter Care	82	
	Nonallowable	1,222	
	Fixed Assets		\$ 9,864
	Accumulated Depreciation		4,717
	Cost of Capital		1,304
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Nonallowable	72,110	
	Dietary		72,110
	To reverse DH&HS adjustment number 19		
	HIM-15-1, Sections 2102.3 and 2304		
3	Administration	2,411	
	Nonallowable - Shelter Care		2,411
	To reverse DH&HS adjustment number 14		
	HIM-15-1, Section 2102.3		
	State Plan, Attachment 4.19D		
4	Nonallowable	36,247	
	Nursing		933
	Dietary		86
	Laundry		589
	Housekeeping		6
	Maintenance		173
	Administration		135
	Medical Supplies & Oxygen		33,022
	Ancillary		1,303
	To remove expenses not paid within one year		
	HIM-15-1, Section 2305		
5	Due From Employees	2,109	
	Nursing		1,339
	Housekeeping		320
	Maintenance		450
	To properly classify employee receivables		
	HIM-15-1, Sections 2104 and 2144.1		

MPI MANAGEMENT, INC. D/B/A STROUD NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-STD-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Movable Equipment	28,715	
	Cost of Capital	2,871	
	Nonallowable	14,426	
	Accumulated Depreciation		9,093
	Other Equity		19,622
	Administration		17,297
	To properly record a capital lease HIM-15-1, Section 110B		
7	Administration	4,159	
	Utilities	2,035	
	Revenue		2,961
	Medical Supplies & Oxygen		291
	Nonallowable		2,942
	To offset income against related expense HIM-15-1, Sections 2102.3 and 2328 State Plan, Attachment 4.19D		
8	Nonallowable - Shelter Care	266	
	Nursing		250
	Restorative		16
	To reclass expense to the proper cost center HIM-15-1, Section 2304 DH&HS Expense Checklist		
9	Nonallowable - Shelter Care	2,119	
	Utilities		2,119
	To allocate garbage expense to residential care HIM-15-1, Section 2102.3		
10	Nonallowable - Shelter Care	7,564	
	Maintenance		7,564
	To properly allocate maintenance salaries to shelter care HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

MPI MANAGEMENT, INC. D/B/A STROUD NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-STD-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Nursing	758	
	Restorative	73	
	Dietary	182	
	Laundry	50	
	Administration	100	
	Nonallowable - Shelter Care	1,891	
	Housekeeping		24
	Maintenance		1,676
	Nonallowable		1,354
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
12	Dietary	97,057	
	Laundry	2,964	
	Housekeeping	2,909	
	Maintenance	4,928	
	Administration	27,212	
	Utilities	2,695	
	Taxes, Insurance & Licenses	8,961	
	Cost of Capital	1,324	
	Nonallowable		148,050
	To reverse DH&HS adjustment to remove indirect costs applicable to non- reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
13	Nonallowable	116,036	
	Dietary		76,778
	Laundry		2,848
	Housekeeping		2,809
	Maintenance		4,235
	Administration		16,230
	Utilities		2,616
	Taxes, Insurance & Licenses		8,976
	Cost of Capital		1,544
	To remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

MPI MANAGEMENT, INC. D/B/A STROUD NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-STD-J0

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
14	Cost of Capital Nonallowable	220	220
	To adjust capital return State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	\$ <u>458,277</u>	\$ <u>458,277</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

MPI MANAGEMENT, INC. D/B/A STROUD NURSING HOME
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2000
AC# 3-STD-J0

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3848</u>
Deemed Asset Value (Per Bed)	37,246
Number of Beds	<u>44</u>
Deemed Asset Value	1,638,824
Improvements Since 1981	377,425
Accumulated Depreciation at 9/30/00	<u>(671,069)</u>
Deemed Depreciated Value	1,345,180
Market Rate of Return	<u>.058</u>
Total Annual Return	78,020
Return Applicable to Non-Reimbursable Cost Centers	(4,648)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>109</u>
Allowable Annual Return	73,481
Depreciation Expense	24,372
Amortization Expense	-
Capital Related Income Offsets	(289)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(1,544)</u>
Allowable Cost of Capital Expense	96,020
Total Patient Days (Actual)	<u>15,989</u>
Cost of Capital Per Diem	\$ <u><u>6.01</u></u>

MPI MANAGEMENT, INC. D/B/A STROUD NURSING HOME
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2000
AC# 3-STD-J0

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$1.34
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$5.33</u>
Reimbursable Cost of Capital Per Diem	\$5.33
Cost of Capital Per Diem	<u>6.01</u>
Cost of Capital Per Diem Limitation	<u>\$(.68)</u>

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